GROUPAMA UK PENSION SCHEME

Trustees Report from 1 January 2022 to 31 December 2022

Welcome to your latest Scheme newsletter, keeping you up to date with Scheme developments and wider pensions news.

March 2024

It's been a busy year since the last time we wrote to you. The global economy is continuing to feel the impact of geo-political tensions, which brings increased volatility in investment markets and higher inflation levels and puts added pressure on many people's finances. We pay close attention to how external factors might impact the Scheme and make any changes needed to safeguard it in the best interests of our members.

In the last 18 months, many schemes have experienced significant challenges as a result of extreme volatility in the gilt market. You may have read about the "Gilts Crisis" following the budget announcement in September 2022 from Liz Truss. This market volatility led to short term liquidity issues for some pension schemes. During this time, the Trustee was in constant contact and held regular meetings with both the investment advisors and the sponsor to steer a way through the turbulent market. While this has led to a reduced funding level, the scheme is backed by a strong sponsor which has agreed to pay additional contributions following the market falls. Since then the Pensions Regulator (tPR) has introduced revised guidelines for trustees, to ensure these liquidity issues would be avoided if the same volatility was experienced in the future. Our news section covers further information on tPR's's expectations for trustees.

Additionally, we provide a summary of the year's accounts and membership figures as well as the latest on the Scheme's investments.

In wider news, we provide an update on Pensions Dashboards, an initiative that aims to provide people with online access to all of their UK pensions in one place. We also cover relevant updates from pension transfer regulations, the Government's latest review of State Pension Age, and the 2023 Spring Budget.

If you have any questions about the Scheme or your benefits, or you have a topic you want to see covered in our next issue, please do not hesitate to contact us. You can find our contact details on page 6.

Mr Paul W Picknett
Chair of the Trustee

In this issue

In numbers

The membership

At 31 December 2022 there were 2,164 members in the Scheme compared with 2,193 members at the same date last year. This does not include members who are paid by an annuity.

1,230	**Deferred members** - no longer building up benefits but have benefits in the Scheme for when they retire.
934	**Pensioner members** - receiving benefits from the Scheme (including the dependants of members who have died).

The accounts

Here we show headline figures from the Scheme's Annual Report and Accounts. If you would like more detail, please request a copy of the full report using the contact details on page 6.

The value of the assets supporting the Scheme at 31 December 2022 *(excluding insured policies)*	£215.8 million
The total value of Company contributions paid in to the Scheme during the year	£5.3 million
The total value of benefits paid to members during the year	- £10.4 million

Investment update

As Trustees, it is our responsibility to decide on the overall investment strategy and to make changes as and when appropriate. We work closely with our investment advisers and we keep a close eye on how the funds are performing.

Asset allocation

At 31 December 2022, the Scheme held invested assets of £208.7 million. The chart adjacent shows how the Scheme's investments were allocated at 31 December 2022, across asset types.

Performance

The table below shows how the Scheme's investments have performed compared with their agreed benchmarks. Each benchmark is an agreed indicator of how the fund is expected to perform bearing in mind economic and market expectations.

	12 months to 31 December 2022		Since Inception (February 2019)	
	Performance	Benchmark	Performance	Benchmark
Investment	-40.1%	-30%	-6.5%	-5.1%

We will continue to monitor performance and make any changes we feel are necessary.

For further details on our investment approach, read our Statement of Investment Principles (SIP) at **https://pensioninformation.aon.com/groupama/documents.aspx**

You can also read our engagement policy Implementation Statement showing how our policy on engagement activities and voting has been followed during the year.

Financial markets in 2022 have seen extreme falls, in particular across credit and government bond asset classes. The resulting fall in the Scheme's assets has had a negative effect on the funding level. The world economies were influenced by rising inflation, its underlying causes, and the policies aimed at curtailing it.

Inflationary pressures began to mount in 2021. However, they were exacerbated by continuing supply shortages, ongoing effects of the COVID-19 pandemic, Russian invasion of Ukraine, and a global energy crisis. Central banks reacted by adopting hawkish monetary policies; sharply increasing interest rates. As central banks started increasing interest rates both risk-on (equity) and risk-off (bonds) assets underperformed simultaneously.

In addition, the Scheme was affected by the fallout from the Gilts crisis starting September 2022. The Scheme's strategy is devised to mitigate the impact on funding from changes in interest rates and inflation (known as "liability hedging"). The unprecedented volatility in UK gilts markets meant that the Scheme had to temporarily reduce its liability hedging. As a result, the Scheme suffered some additional losses.

In 2023 we continued to see uncertainty and market volatility. The Scheme retains a cautious approach but with the flexibility to adapt to market conditions. The position will be reviewed at the next valuation due at 31 December 2024 including considering if further contributions are required from the Company to make good any increase in the funding shortfall at that time.

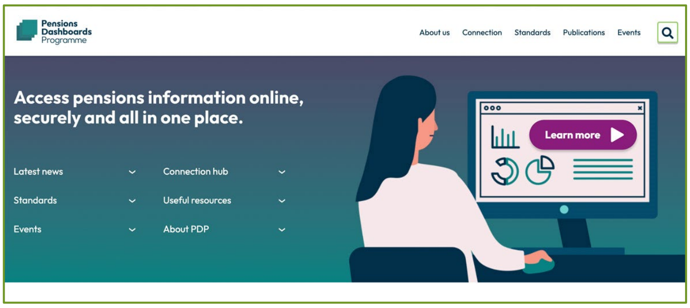
In the news

Pensions Dashboards: update

The Department for Work and Pensions (DWP) is introducing a Pensions Dashboards framework to help individuals seek information on all their UK pension savings in one go.

The Government has now confirmed that it is delaying the dates when schemes are required to connect to Pensions Dashboards, due to the complexities of building such a project. Dashboards are still going ahead and we will communicate any further updates as they become available.

To learn about the project, go to **www.pensionsdashboardsprogramme.org.uk**



Diversity, equity and inclusion

An increasingly important consideration for trustee boards is diversity, equity and inclusion. This includes considerations such as ensuring that:

- all members are getting information in an accessible way, and
- those involved in running schemes have diverse backgrounds, skills, experience, personalities and characteristics in order to make better decisions.

We are committed to ensuring that the information we provide is accessible to all, and - in line with the Pension Regulator's new guidance on this topic - we, along with many trustee boards, will be considering our skills, strengths and any gaps over the coming months. We will keep you updated.

How to protect yourself from pension scams

You may remember we told you in last year's newsletter that new regulations had been introduced that aim to provide more protection to you as members against fraudulent practices, giving you more confidence when making big decisions about your pension.

Being able to spot warning signs and reading up on the official guidance also helps protect you from fraudsters (see below to learn more).

There are common signs to look for to protect yourself from pension scams. These include receiving unsolicited contact about your pension or a push to make a quick decision.

To learn more about common signs of a scam, we recommend a read of the following MoneyHelper article. Go to:

www.moneyhelper.org.uk/en/money-troubles/scams/how-to-spot-a-pension-scam

or scan the QR code.

If you're concerned about falling victim to a pension scam, the Financial Conduct Authority (FCA) also provides guidance on how to spot potential scams.

Remember, it is always advisable to seek professional advice before making any significant financial decisions. See 'Taking advice' on page 6.

State Pension Age

The Government recently published its second periodic review of the State Pension Age.

The first review in 2017 recommended that the increase in State Pension Age from 67 to 68 should take place seven years earlier than the current legislative timetable (which sets a change to 68 between 2044 and 2046; the change from 66 to 67 is already planned between 2026 and 2028).

At the time, the Government said it would legislate to bring that increase forward, but that it would consider the most up-to-date life expectancy projections before doing so.

However, the Government has now announced that the timetable will remain unchanged from the current legislated timetable. Instead it set out plans for a further review of the increase to age 68 within two years of the next Parliament. The Government also confirmed that it is committed to the principle of providing 10 years' notice of changes to the State Pension Age.

In the news

The Pension Regulator's response to the LDI crisis

As we mention in our introduction, gilt yields increased at an unprecedented speed in September 2022, creating issues for defined benefit (DB) schemes. Investment managers were facing liquidity pressures as the requirement to seek further assets as additional security increased.

A DB scheme that does not meet its asset requirements may lose some of its hedging protection that is required to manage risks. This could mean its funding level is less well-protected against a fall in the expected returns on bonds in the future – a key factor in calculating a DB scheme's financial situation.

The Pension Regulator recently published its expectations for trustees of DB schemes in relation to this. In summary it notes that:

- The trustees of DB schemes should engage with their investment advisers and pay close attention to their operational processes, liquidity position, liability hedging position, and funding and risk position.

As Trustees of the Scheme, we are fully committed to meeting the Regulator's expectations.

Have you claimed your retirement benefits?

You are receiving this newsletter because our records suggest that you are entitled to or are in receipt of a pension benefit from our scheme. If you are a member aged over 65 who has not yet claimed their retirement benefits, please get in touch and we will send you details of your benefit entitlement in the scheme.

Spring Budget 2023: pension tax allowances

The Chancellor's Spring Budget included some sweeping changes to the pension tax allowances with effect from 6 April 2023.

In summary:

- The Lifetime Allowance has effectively been abolished. No tax charges apply for exceeding the Lifetime Allowance during the 2023/24 tax year. However, much of the detail is still to be confirmed, so we will keep you updated as more detail is released.

- The Annual Allowance increased from £40,000 to £60,000.
- The tapered Annual Allowance now starts to apply to those earning £260,000 per year (up from £240,000 per year), while the minimum tapered Annual Allowance has increased from £4,000 to £10,000.
- The Money Purchase Annual Allowance has also increased from £4,000 to £10,000.

If you're uncertain about how these changes may affect your retirement plans, consider taking impartial financial advice (see page 6).

The Lifetime Allowance is a limit on the total amount of pension benefits you can build up over your lifetime (excluding the State pension) without triggering an extra tax charge.

The Annual Allowance is a limit on the amount of pension benefits you can build up in a tax year without triggering a tax charge. A tapered Annual Allowance applies for high earners.

The Money Purchase Annual Allowance works in a similar way to the standard Annual Allowance but only applies if you access Defined Contribution (DC) pension savings and continue to build up pension benefits.

More information

To find out more about the Scheme, please use the contact details below.

There are lots of useful websites that can help you understand your options and support you with your retirement planning.

Get to know your pension at www.yourpension.gov.uk. The site has a tool that can quickly generate you a retirement checklist to help you assess where you are with your planning. It also has useful links to a pension calculator, a State Pension calculator and more.

Picture your future at http://www.retirementlivingstandards.org.uk The retirement living standards show you what life in retirement looks like at three different levels, and what a range of common goods and services would cost for each level.

MoneyHelper

MoneyHelper is a free, impartial guidance service, backed by the Government. It brings together the support that was previously available through the Money Advice Service, the Pensions Advisory Service and Pension Wise.

www.moneyhelper.org.uk

Contact point

Please use any of the methods below to get in touch with the Administration team.

Email: groupama@aonconsulting.co.uk

Phone: 0330 123 2312
(lines are open Monday to Friday, 9am to 5pm)

Write to: Aon, The Fountain Precinct, Balm Green, Sheffield, S1 2JA

Behind the scenes

As Trustee Directors, we maintain up-to-date knowledge of pensions, investments and finance. We also attend training courses as and when necessary, for example, when pensions legislation changes. We meet regularly throughout the year to discuss how the Scheme is progressing.

In March 2023, we welcomed G Shepherd as the newest member of the Trustee Board, following the recent selection process. We also welcomed M.Laino as our first alternate Trustee Director.

The Board is made up of Company-appointed Trustee Directors and member-nominated Trustee Directors.

Company-appointed	Member-nominated
P.W. Picknett (Chair)	G. Shepherd (appointed 6 March 2023)
K. Curran	A. Young
D.L. Simpson	

Reminder to keep us up to date

Please let us know if you change your name or address so we can continue to contact you about the Scheme and your benefits.

Please also update your form if you need to. This tells us who you would like to receive any benefits that become payable in the event of your death. As Trustee Directors, we have the final say over who receives the benefits. We will consider your Expression of Wish form, so if you have never filled one in, or you have not done so recently, particularly if your circumstances have changed, please complete a form and send it to us.

Please use the contact details on the left to request a blank form.

Taking advice

If you would like advice about your retirement plans, we recommend you speak with an independent financial adviser. You can find an adviser in your area by searching MoneyHelper's online directory.

Go to **www.moneyhelper.org.uk** and choose Pensions and retirement > Taking your pension > Find a retirement adviser.

Remember
If you would like more information about the Scheme, you can request a copy of the Trustees' Annual Report & Accounts. Contact the administration team (details adjacent).

We also appoint professionals to support us on areas of particular expertise.

Administrator	Aon Solutions UK Limited
Actuary	J. Coulthard, FIA Aon Solutions UK Limited
Auditor	Cocke, Vellacott & Hill
Investment Adviser	Cardano Risk Management Limited
Legal Adviser	ARC Pension Law

Summary Funding Statement

This section summarises the results of the funding update at 31 December 2022. It also looks at the most recent valuation results. These financial health checks are vital for monitoring the Scheme's progress. We hope the information helps you to understand how the Scheme is developing.

The latest position

The table below shows how the funding position has changed since the valuation at 31 December 2021.

	Update	Valuation
Date	31 December 2022	31 December 2021
The funding level	87%	98%
The funding target	£246.3 million	£370 million
The value of the Scheme's assets *(total assets less AVCs, plus insured policies)*	£215.5 million	£363.2 million
The overall position	Shortfall of £30.8 million	Shortfall of £6.8 million

The latest update shows that the funding level has deteriorated since the valuation at 31 December 2021.

The funding target has reduced substantially over the year, mainly as a result of higher interest rates.

The Scheme's assets are invested in a way that aims for them to move broadly in line with the liabilities. For this reason, the assets have also fallen substantially over the year. However the fall in assets was greater than the fall in liabilities.

The next financial check will be based on the Scheme's position at 31 December 2023. We will report on the results once they are complete.

It is important to remember that it is normal for pension scheme funding levels to fluctuate over time. Even when funding is temporarily below target, the Scheme will continue to pay benefits in full as long as it continues. The scheme is also fortunate to have the support of a strong sponsor, recognising Groupama's current rating of A+ with Fitch.

Transfer Values

Transfer values have reduced significantly over the last year, in a similar way to the Scheme's assets and liabilities. These reductions are mainly due to large increases in future interest rate expectations in the UK. Higher expected interest rates reduce the Scheme's liabilities and transfer values because less money needs to be invested now to pay future benefits due to the increased future returns expected on the money invested.

The Trustee recommends that members obtain Independent Financial Advice before deciding to transfer out of the Scheme. Further information about advice requirements is included in the packs provided to members requesting transfer value quotations and within the Aon Retirement Option Modeller for members requesting retirement quotations.

Summary Funding Statement

Removing the shortfall

As part of the valuation at 31 December 2021, we agreed with the Employer to bring the Scheme to a fully funded position. This is known as a 'recovery plan'. The Employer agreed to pay:

- £2.5M in June and December of 2022 and 2023.

Due to the deterioration in the funding position after the valuation date, the Employer also agreed to pay:

- £2.5M in June and December of 2024 and 2025.

In addition, the Employer continues to pay:

- £0.3M in July each year towards the cost of administering the Scheme.
- Any levies, including the annual levy to the Pension Protection Fund (www.pensionprotectionfund.org.uk).

The next formal valuation will look at the Scheme's position at 31 December 2024. This will include working out if the recovery plan is on track or if changes need to be agreed.

If the Scheme came to an end

The Scheme's funding level is worked out in two ways.

- The 'ongoing' basis (shown above), which assumes that the Scheme will continue into the future.
- The 'full solvency' basis, which shows the funding position if the Scheme started to 'wind up' at the date of the valuation. If this happened, all members' benefits would have to be secured without delay by buying insurance policies. This would be more expensive than paying benefits gradually over time, so the full solvency position is generally lower than the ongoing position, even for fully funded pension schemes.

At 31 December 2021, the Scheme's full solvency funding level was 78% with a shortfall of £101.3 million.

Please note that we are legally required to report the full solvency position as part of this funding statement. The Employer has no current plans to end the Scheme.

We must also tell you if there have been any payments to the Employer out of Scheme funds in the last 12 months. There have not been.

The Pensions Regulator

The Pensions Regulator is the UK watchdog of workplace pension schemes. It has the authority to change the way occupational pension schemes are run though it has not needed to use its powers in this way for our Scheme. You can find out more about the Regulator online at **www.thepensionsregulator.gov.uk.**